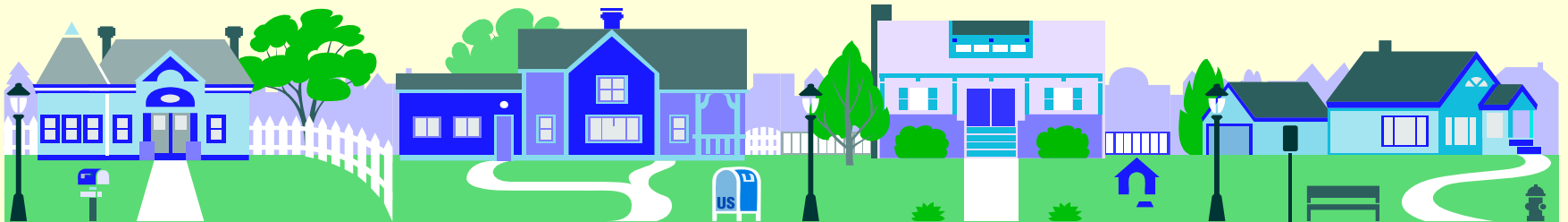


California Housing Issues

***UC Davis
Extension***

May 5, 2006, Sacramento



**California Department of
Housing & Community Development**

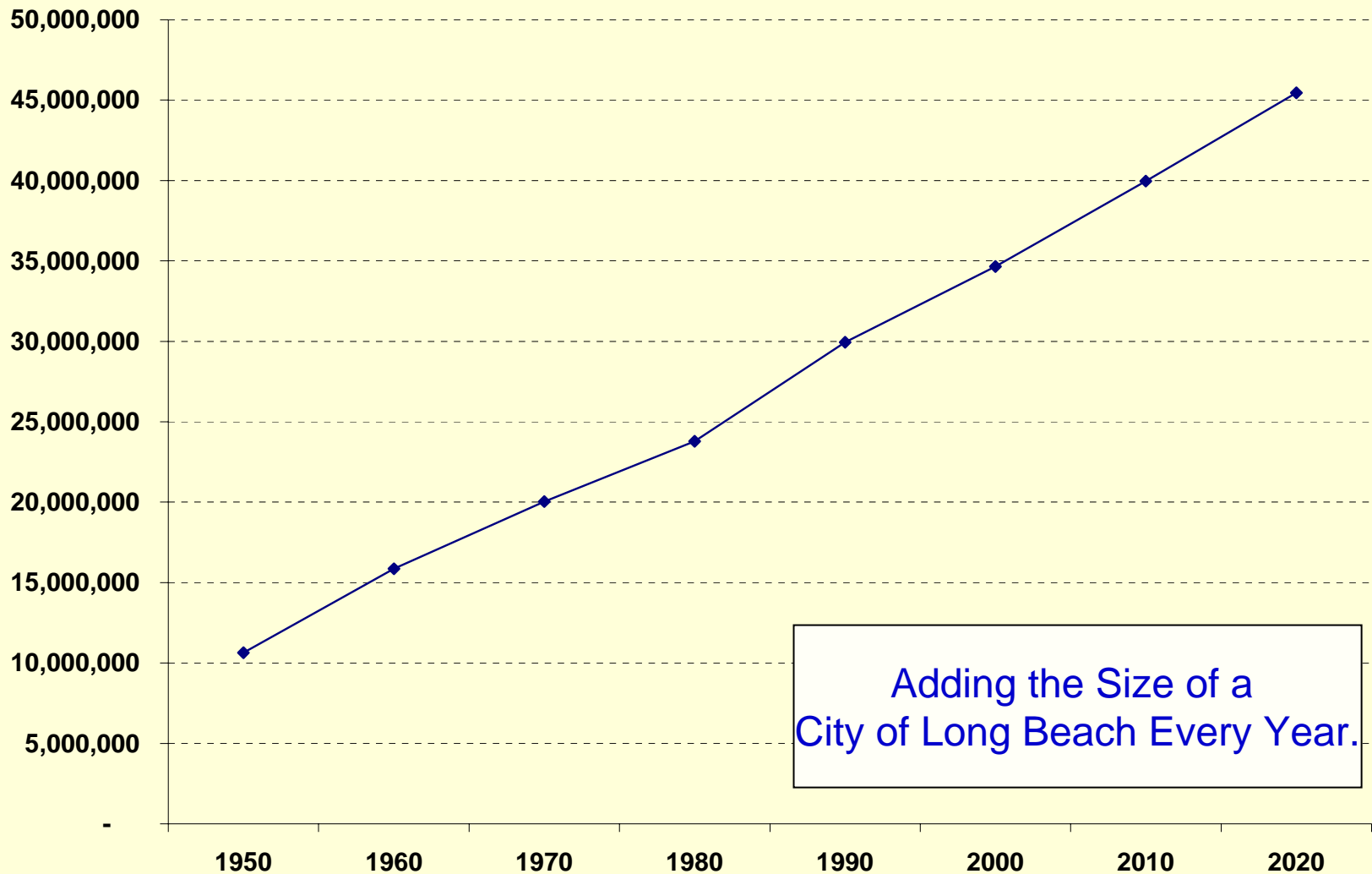
Recent Housing Demand Influences

- *Strong Population Growth & demographic and employment change*
- *Inadequate Housing Supplies*
- *Declining Affordability*
- *Favorable Mortgage Rates*

Identifying the Problems

Strong Population Growth

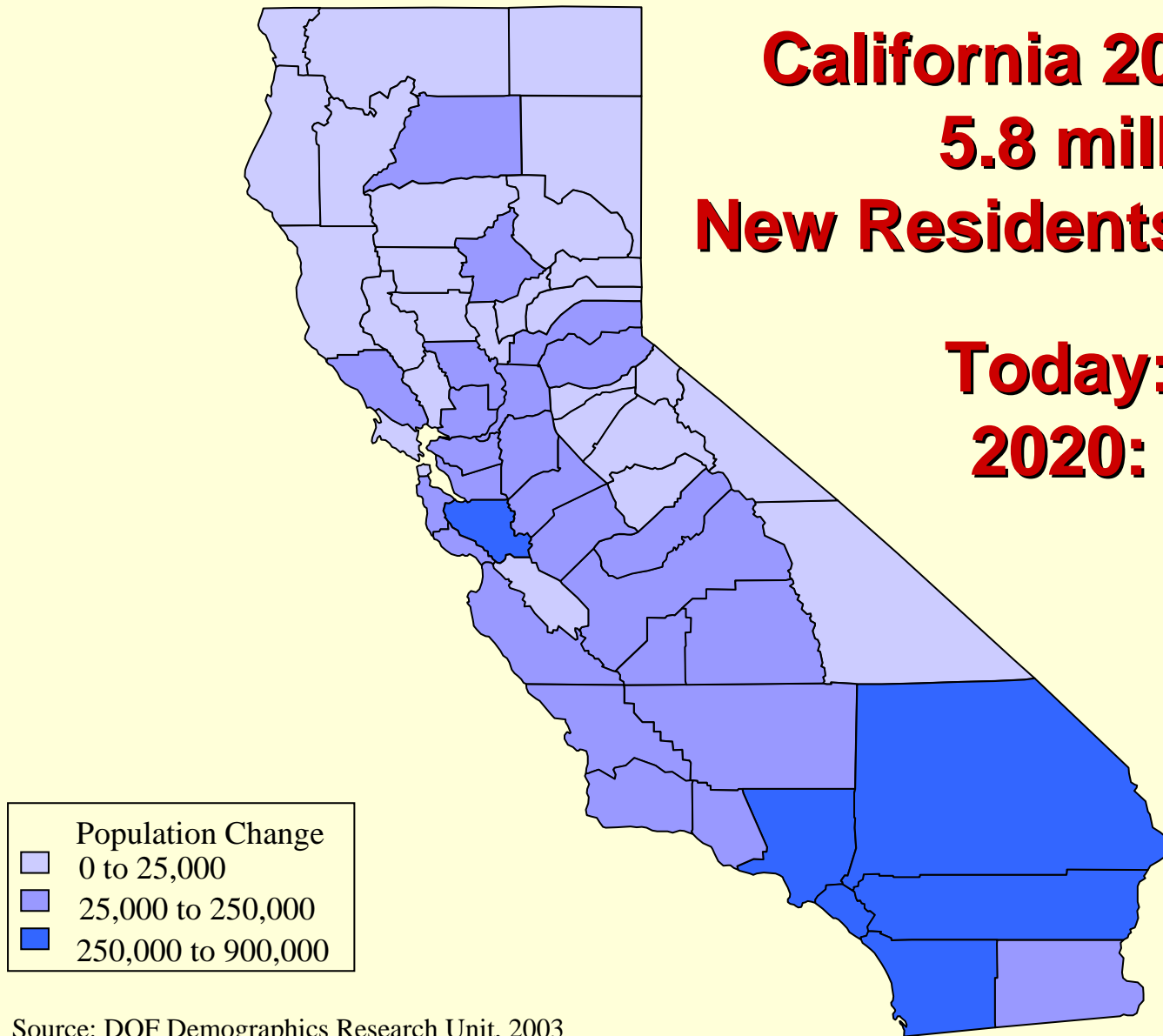
California's Population Predictably Grows About 500,000 Per Year.



State of CA Dept. of Housing &
Community Development

**California 2000-2010:
5.8 million
New Residents Projected**

**Today: 37 Million
2020: 44 Million**



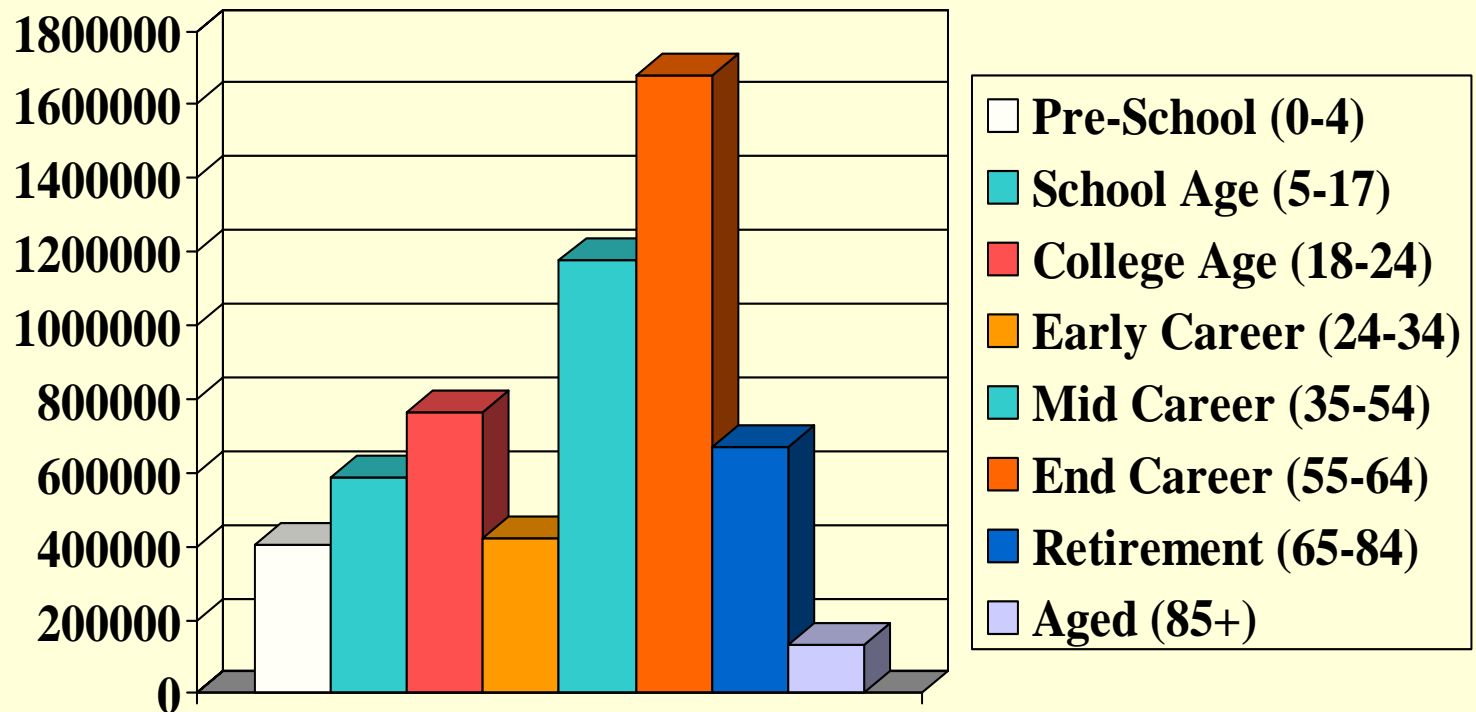
Source: DOF Demographics Research Unit, 2003

Housing Will be Needed for Many More Californians . . .

CALIFORNIA in 2020 =



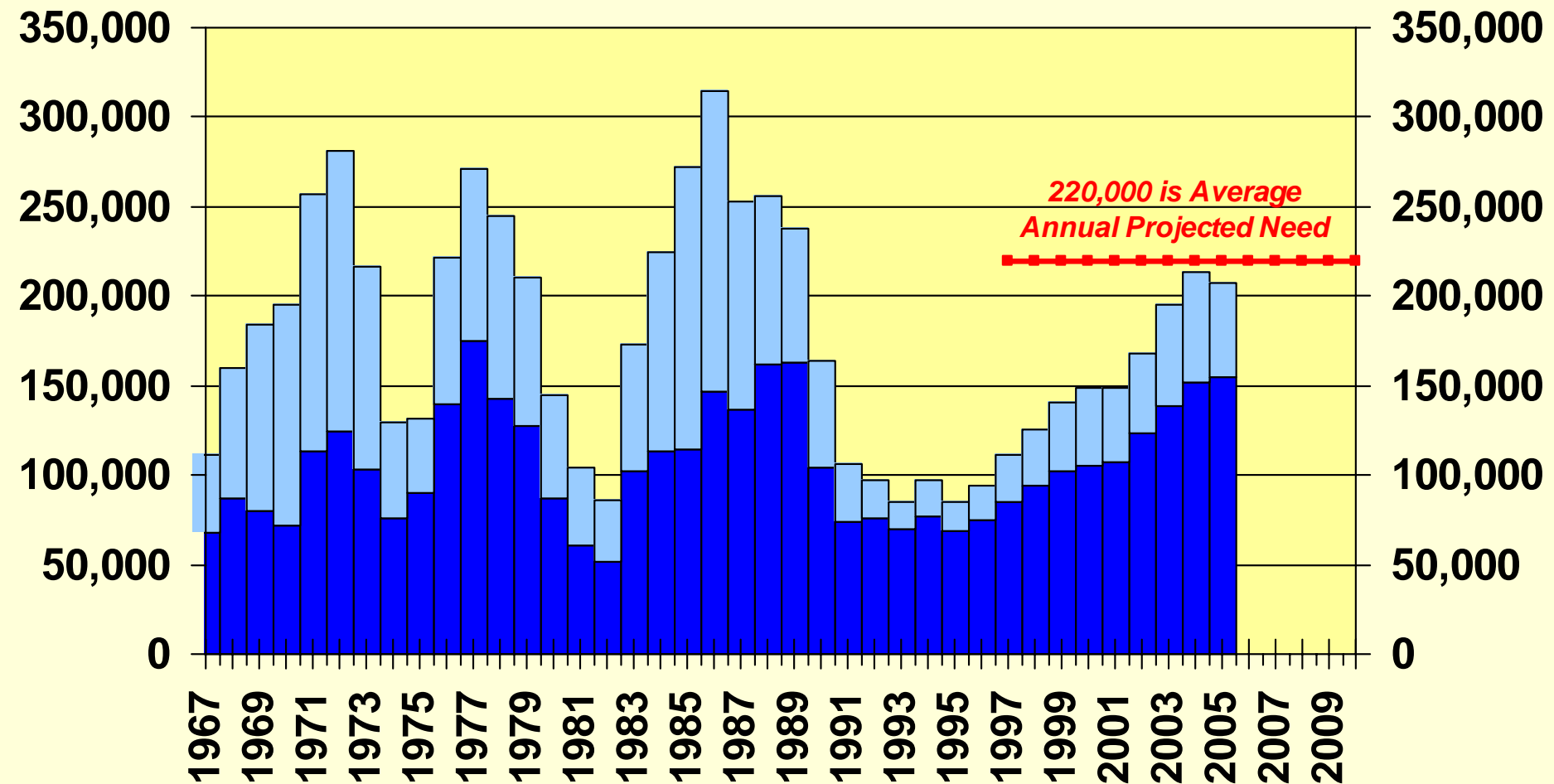
CALIFORNIA'S Projected Growth 2000 - 2010 by Age Cohort



California New Housing Permits 1967 - 2005

New Housing Permits Below Need

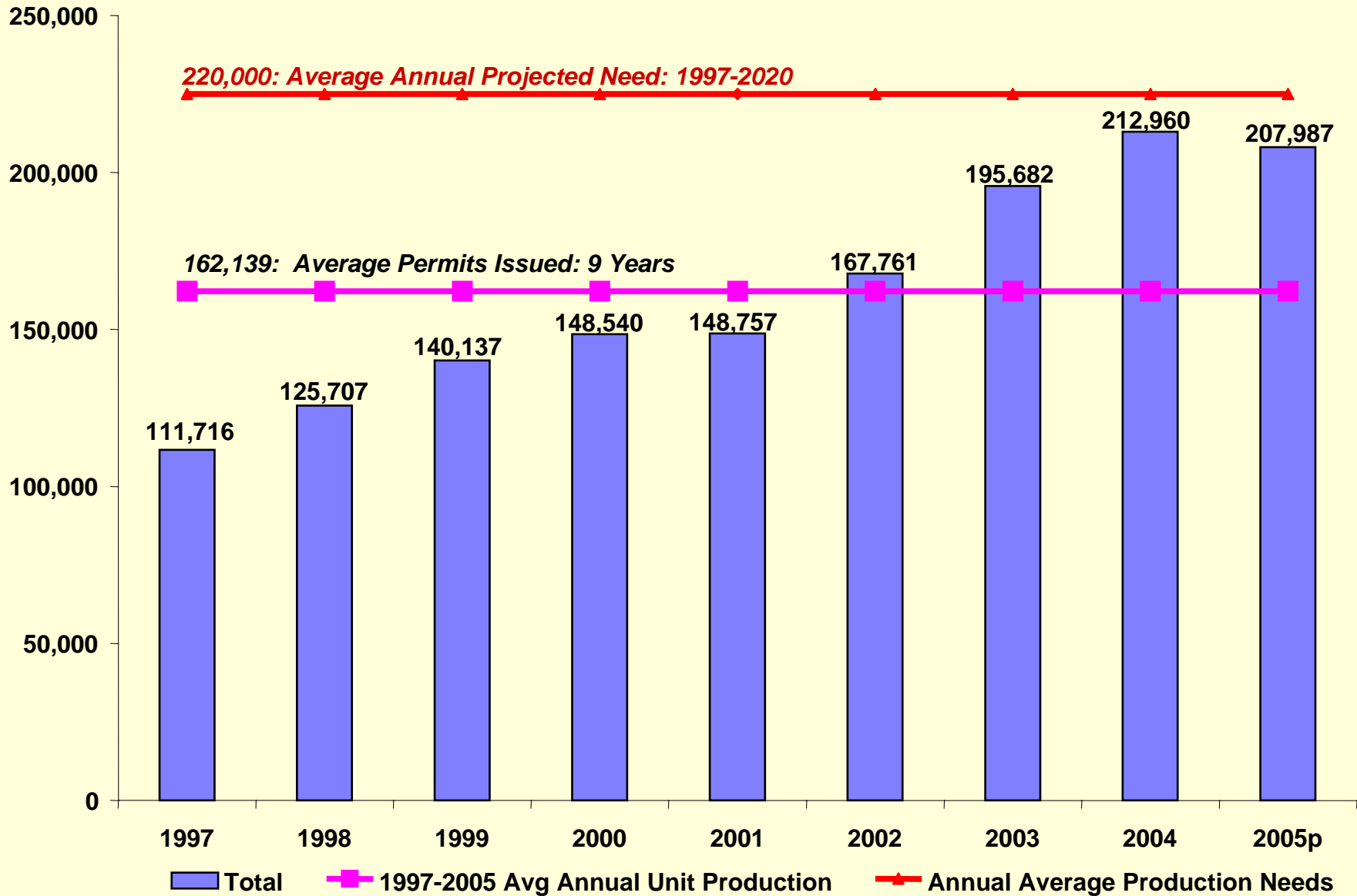
Single Family Multi-Family Housing Needs



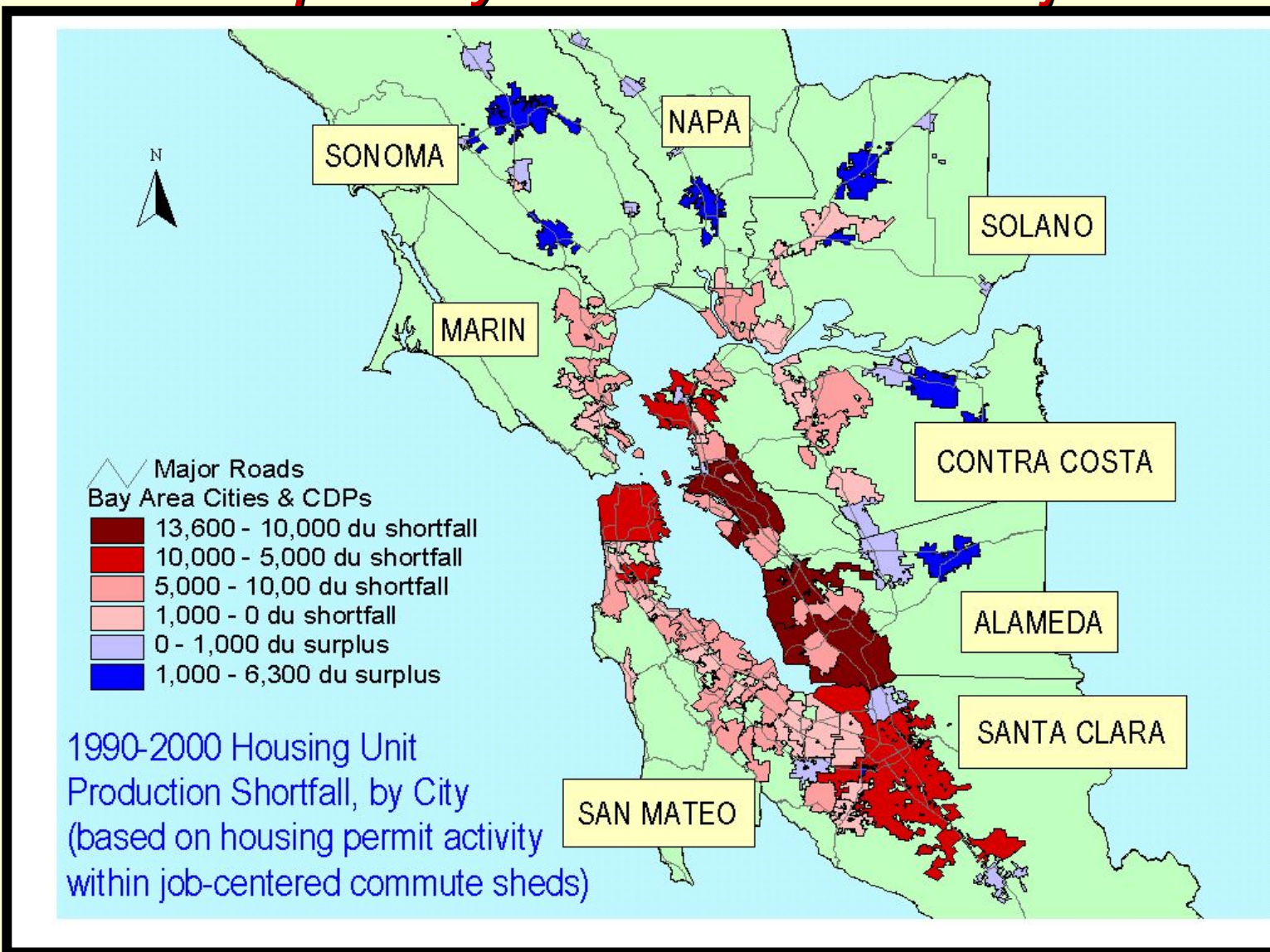
SOURCES: CAR; Construction Industry Research Board; CSHP

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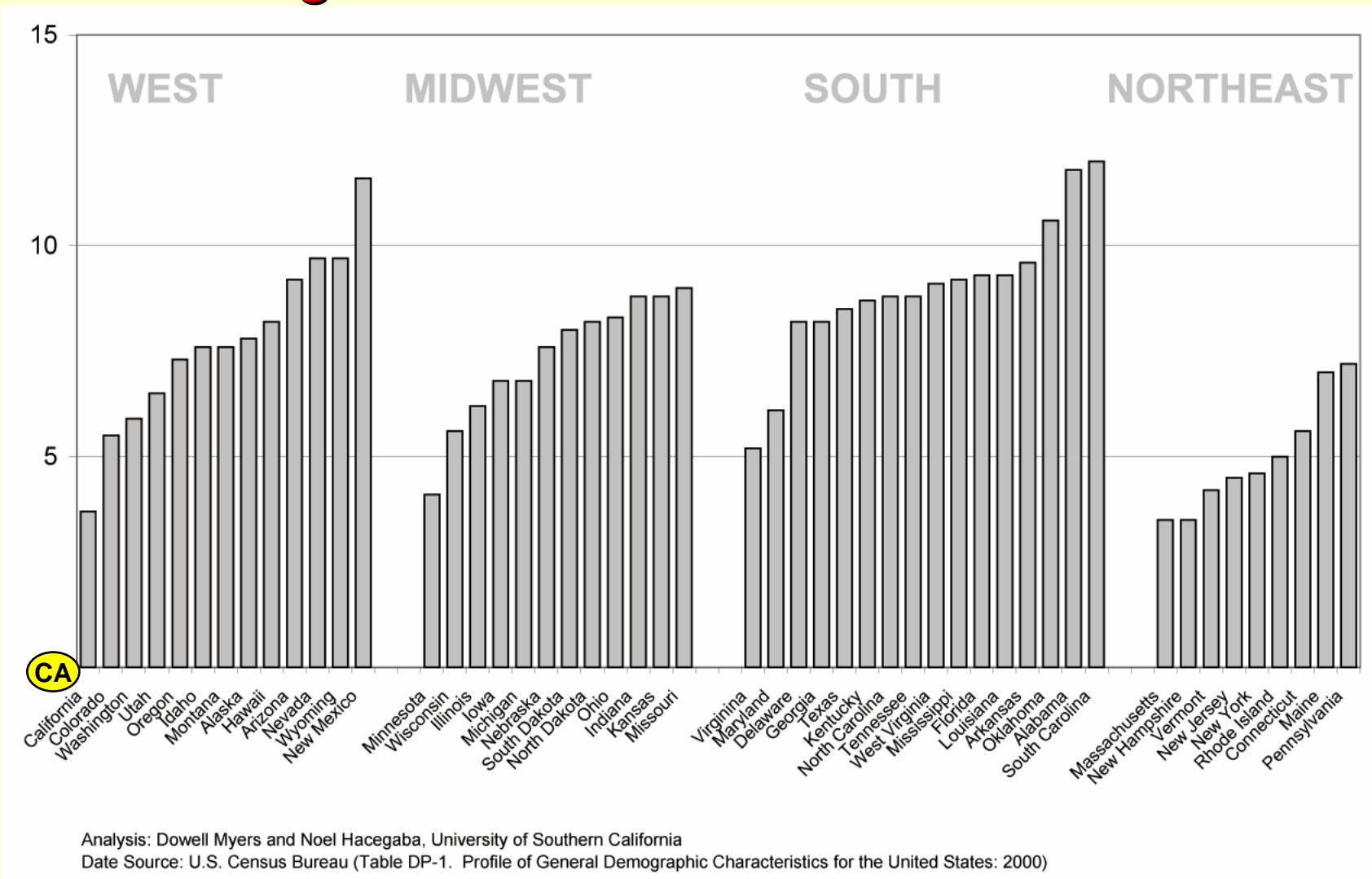
New Housing Permits Issued 1997 – 2005: Underproduction vs. Need



Shortfalls are especially acute near coastal job centers

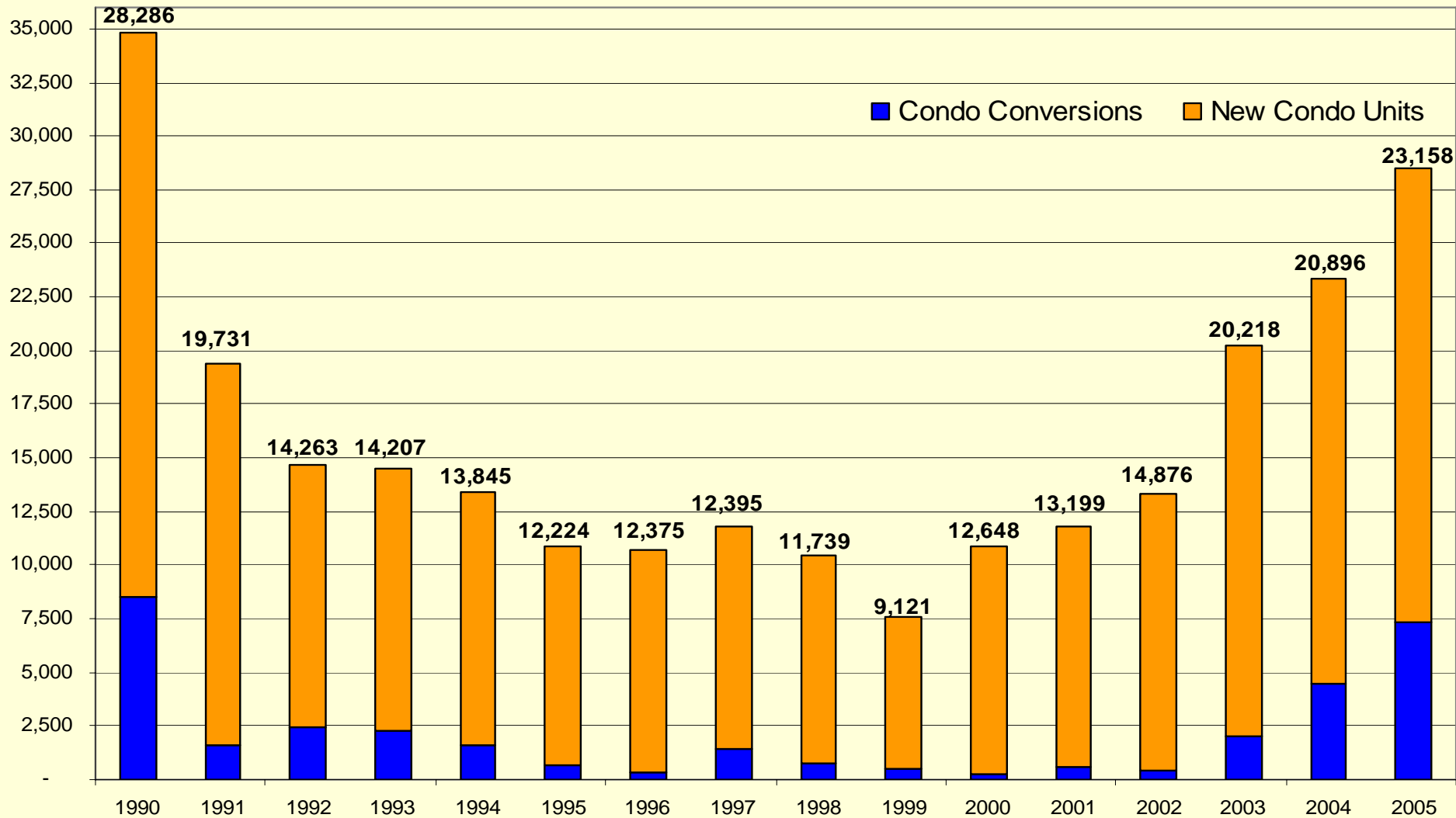


CA Among Lowest Renter Vacancies – C 2000



Growing Condo Activity

California's New Condominium Units & Units Converted 1990 - 2005

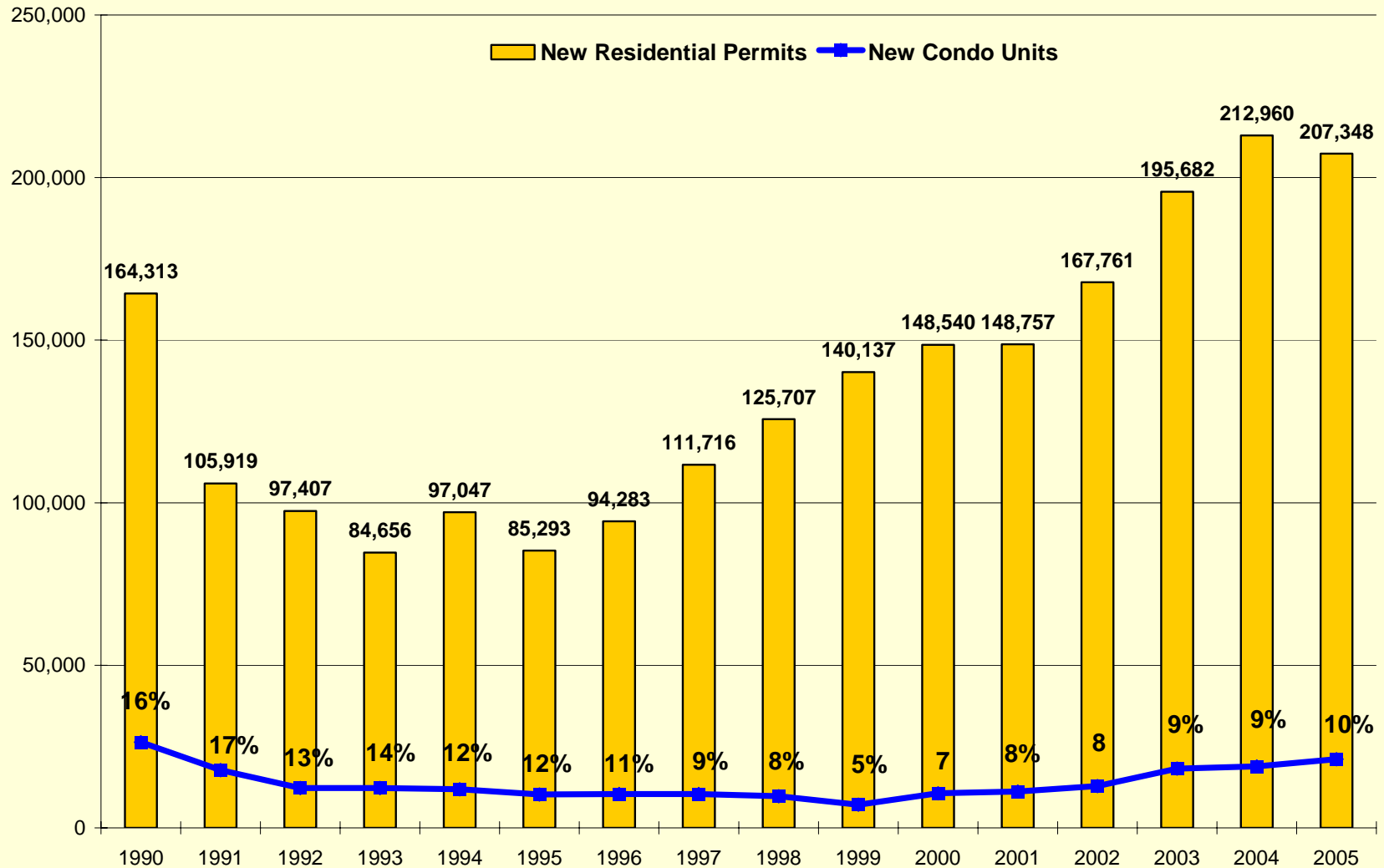


*Values on the chart represents the total of new condominium units and units converted for the specific year.

SOURCE: CA Dept. of Real Estate, Feb. 2005

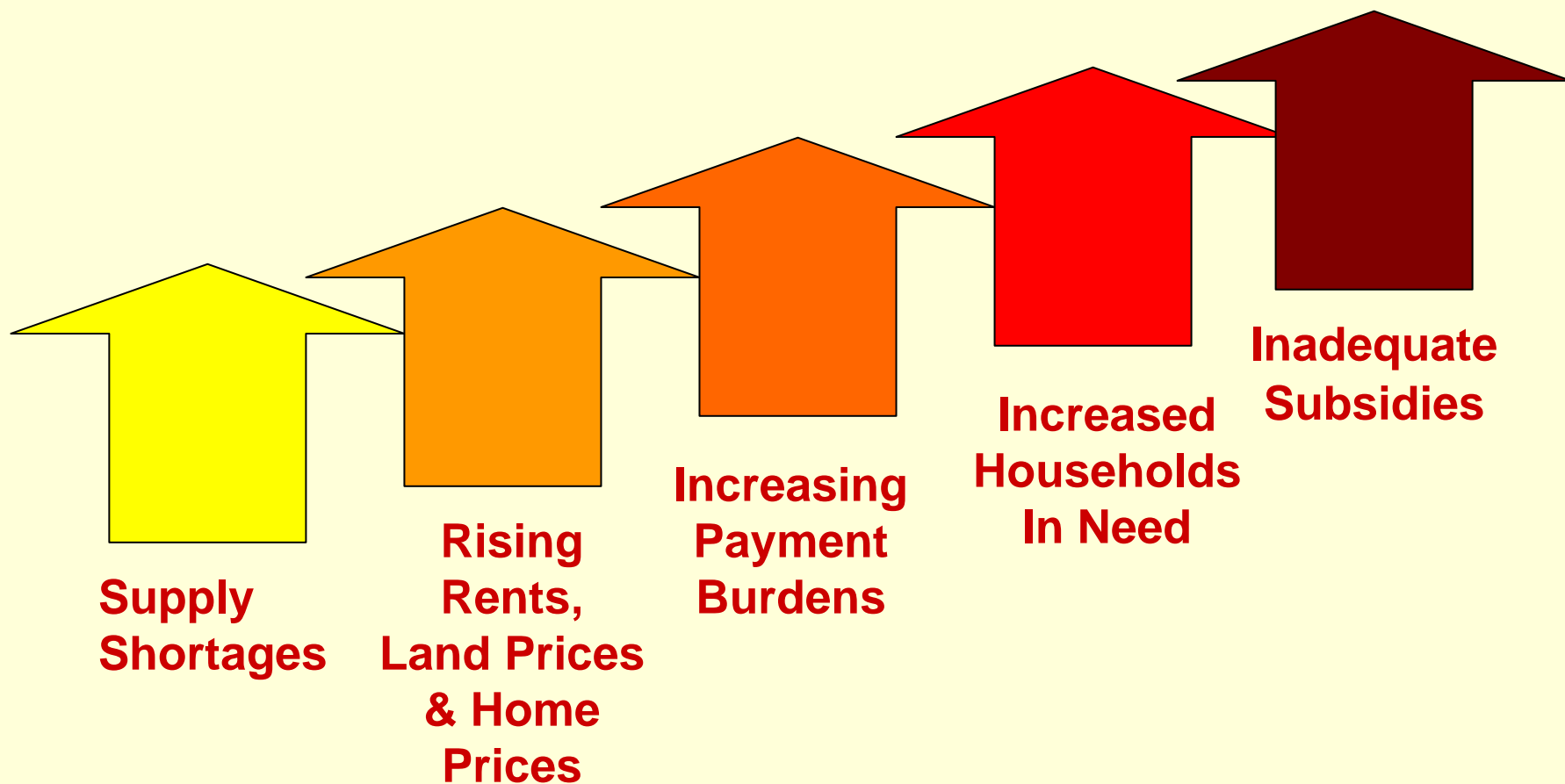
State of CA Dept. of Housing &
Community Development

New Condominium Units as percent of New Residential Units 1990 - 2005



Graph Illustration: total annual new condos as a percentage of the total annual new residential permits

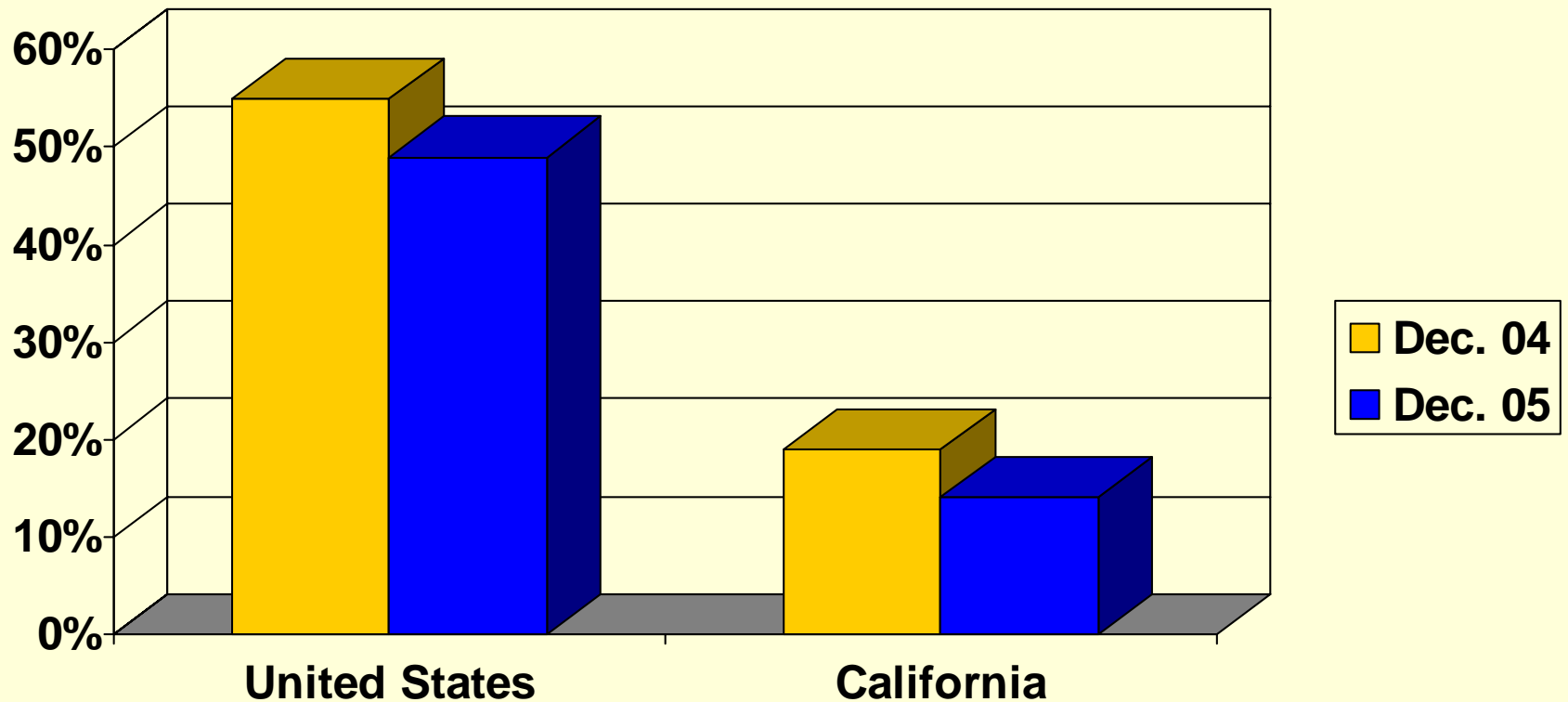
Housing Supply Shortages Impact Housing Affordability



Modified from presentation by Professor John Landis, UC Berkeley, 2001

California Housing Affordability Index

December 2004 – December 2005



2005 CA Median Home Price: \$523,150

Percentage of households able to afford a median-priced detached home.

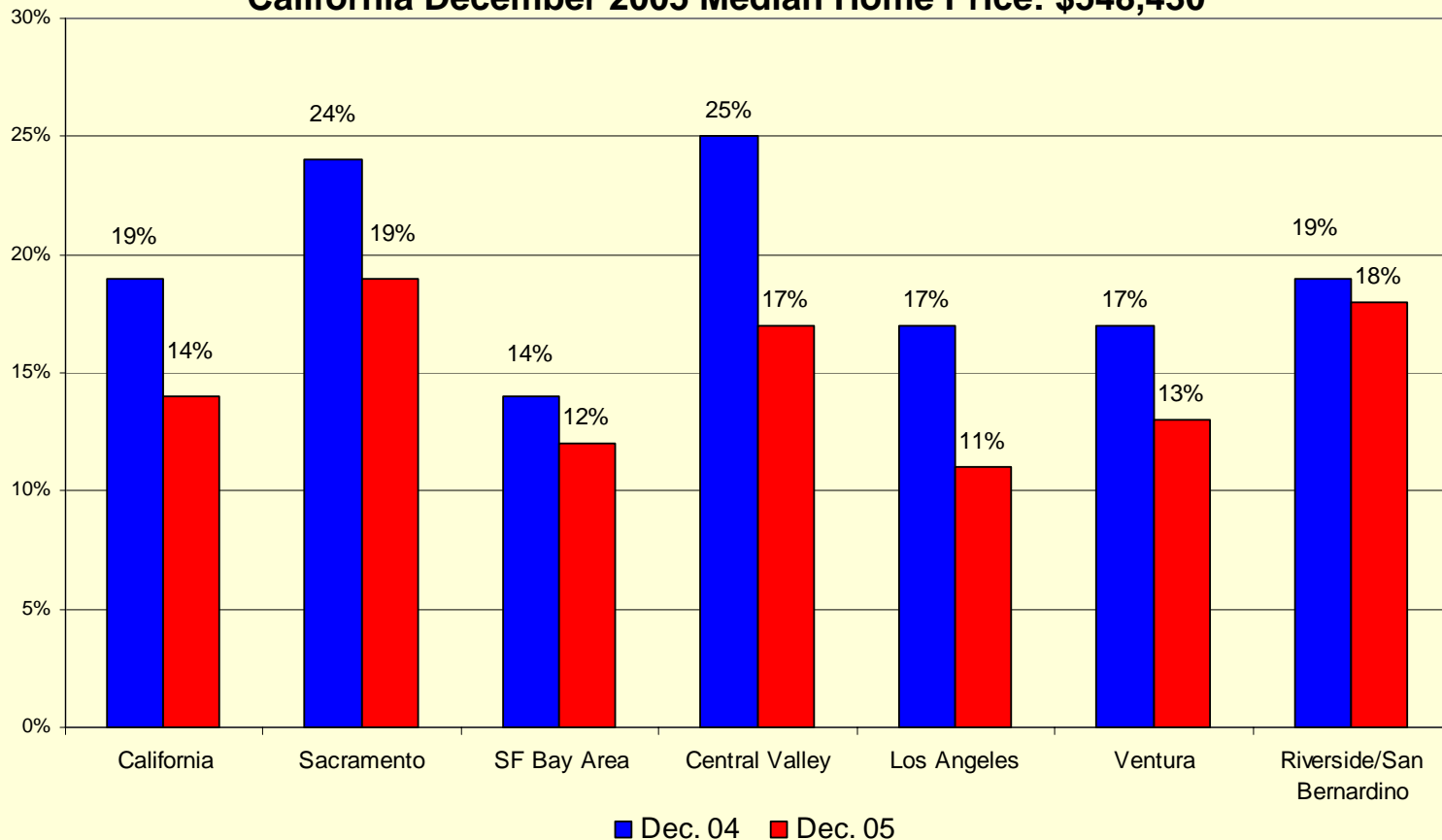
Source: California Association of REALTORS® (C.A.R.), Press Release Thursday, February 9, 2006; also see Press Release Dec. 28, 2006 for 2005 CA median Home Price; Graphic representation by HCD.

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Housing Affordability Index by Region

December 2004 – December 2005

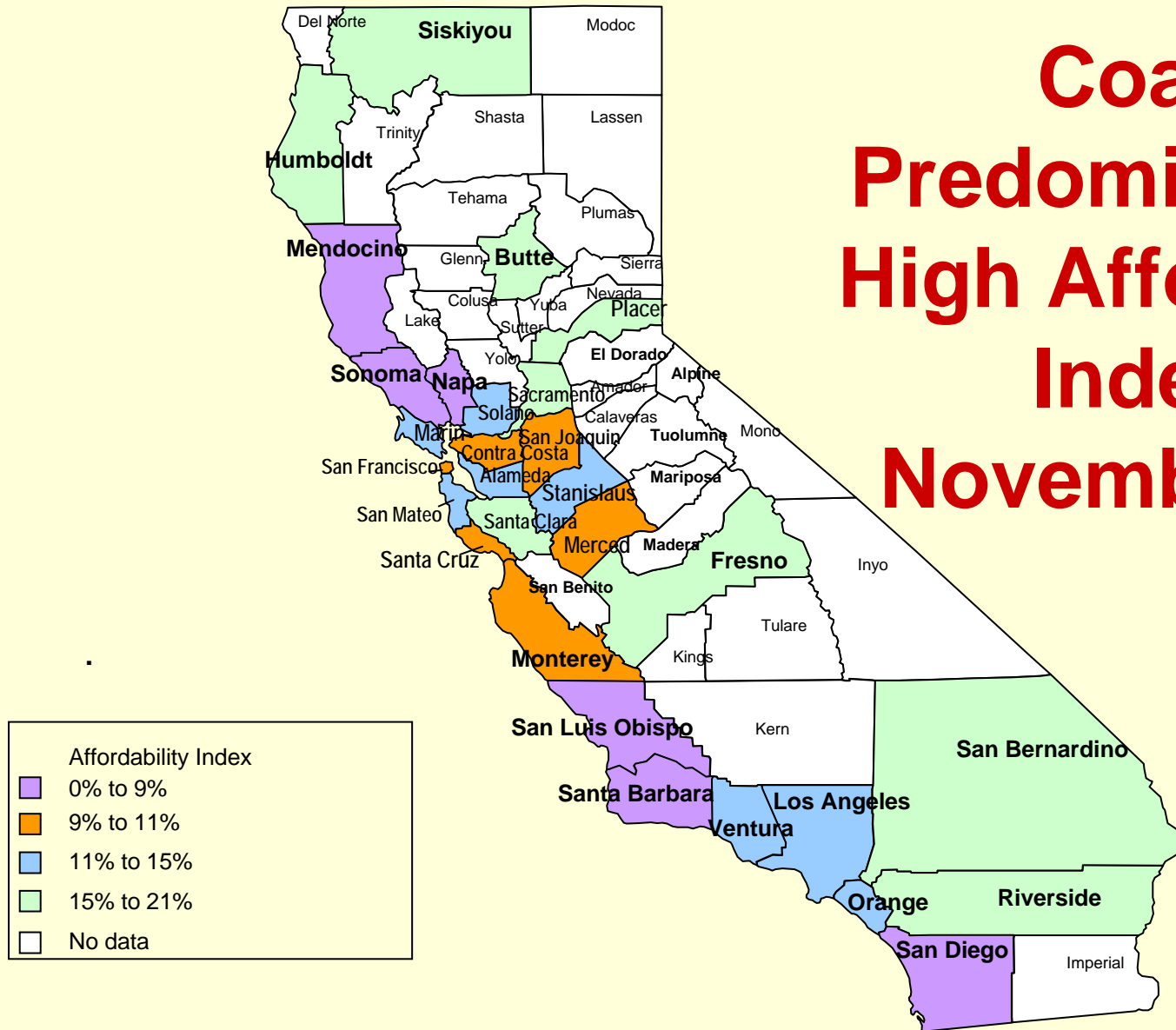
California December 2005 Median Home Price: \$548,430



Percentage of households able to afford a median-priced detached home

Source: California Association of REALTORS® (C.A.R.), Press Release Thursday, February 9, 2006; Graphic representation by HCD. November 2005 Median Home Price represented from CAR Press Release Jan. 25, 2006

Coastal Predominance of High Affordability Indexes November 2005



Percentage of households able to afford a median priced home.
California Association of Realtors, Press Release January 12, 2006. Graphic representation by HCD.

State of CA Dept. of Housing &
Community Development


Percentage of country's households
able to afford the median-priced
single-family detached home

Appreciating Home Prices 2000-2005

Select Counties:	Dec 2000	Dec 2005	5 yr % Change*
Sacramento County	\$149,827	\$379,012	153%
San Francisco County	\$469,970	\$712,936	52%
Fresno County	\$138,584	\$239,166	73%
Los Angeles	\$220,621	\$552,762	151%
Riverside County	\$143,397	\$394,787	175%
San Diego County	\$278,906	\$603,679	116%

*without adjustment for inflation

Source: California Association of REALTORS® (C.A.R.), Trends in California Real Estate, Jan. 2002 and Jan. 2006


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Homes REAL ESTATE NEWS

Default notices are on the rise

More homeowners are finding themselves in distress over mounting debts

By Andrew LePage -- Bee Staff Writer
Published 2:15 am PST Monday, February 6, 2006
Story appeared in Business section, Page D1

It took less than eight months for Dustin Suposs' "American Dream" to become a nightmare.

He and his girlfriend, both in their early 20s, got caught up in the better-buy-now mentality that fueled the Sacramento area's housing market last spring. They bought a \$365,000, 1,550-square-foot home in Elk Grove with no money down. The result: A \$2,300-a-month payment that was more than 2 1/2 times the rent they were paying.

By December the couple were drowning in bills and debt. Now they're two months behind on the mortgage.

Experts say the pair are part of a new trend - a growing wave of distressed borrowers just beginning to hit Sacramento and across California.

In December, lenders filed 321 notices of default in Sacramento County, the highest number in nearly three years, according to DataQuick Information Systems, which tracks county property records. Statewide, lenders in December filed defaults against 5,582 homeowners, the highest since March 2004. Such notices are the first step in the foreclosure process.

That doesn't mean all homeowners at risk of default will lose their homes - far from it. In the last year only about 5 percent of the state's homeowners in default wound up in foreclosure, DataQuick reports. Most worked things out

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CURRENT TOP NEWS REPORTS

The Sacramento Bee

People-moving is worry

As plans progress to build a complex of office and residential towers across the river from Old Sacramento, West Sacramento officials are concerned about how thousands of workers and residents will get to and from the complex.

Default notices are on the rise

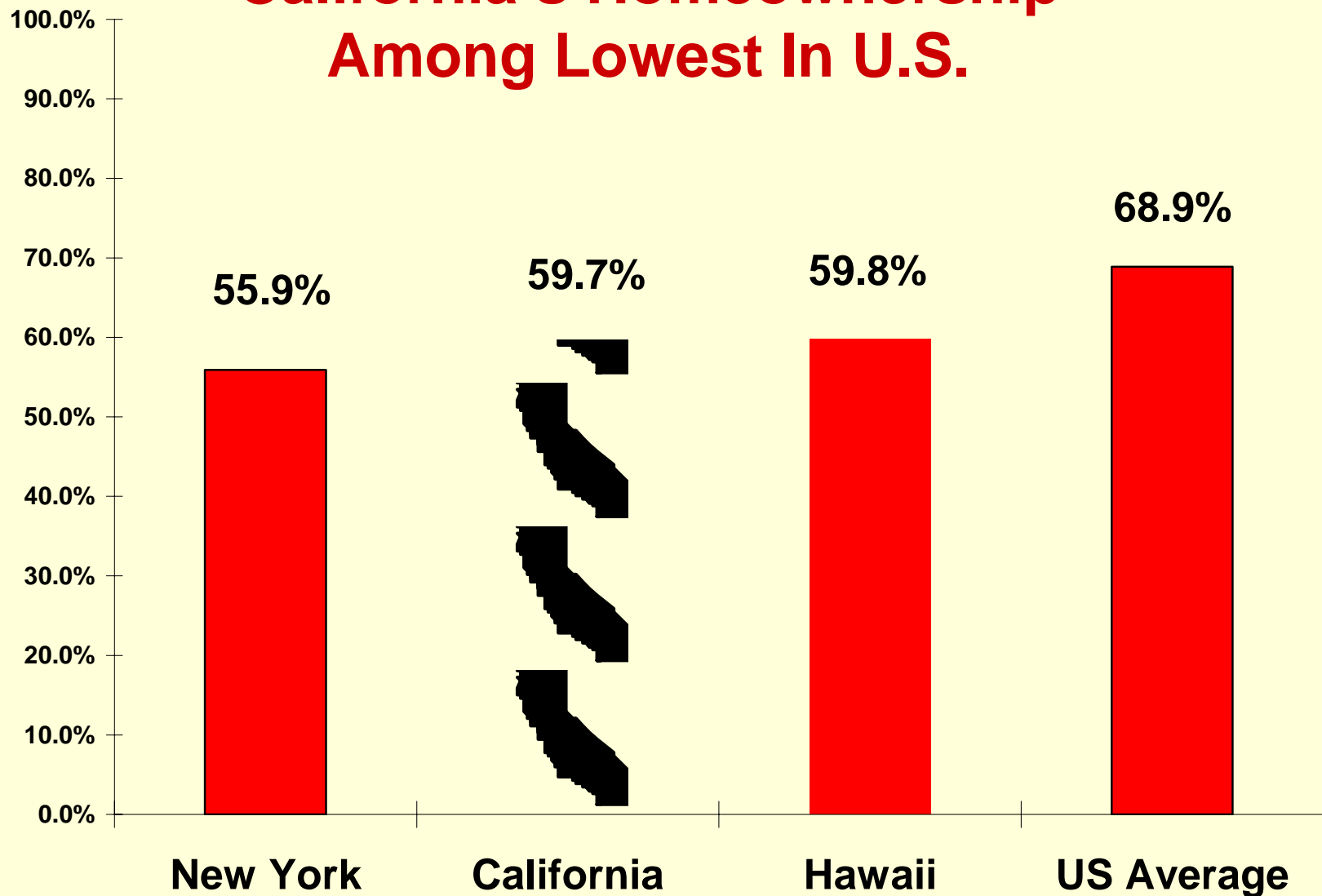
It took less than eight months for Dustin Suposs' "American Dream" to become a nightmare.

Home outlook iffy for buyers, sellers

A month ago Jerry Wright figured a simple newspaper ad was all it would take to sell a 1,400-square-foot rental home he owns in Roseville for \$359,000. Not many homes sell for less there.

Source: sacbee.com; http://www.sacbee.com/content/homes/re_news/story/14158367p-14986377c.html

California's Homeownership Among Lowest In U.S.



Source: US Census, Annual Statistics: 2004 Table 13. Homeownership Rates by State: 1984 to 2004; Graphic representation by HCD.

Annual Income or Hourly Wages Needed to Afford Median Price Home or Fair Market Rent

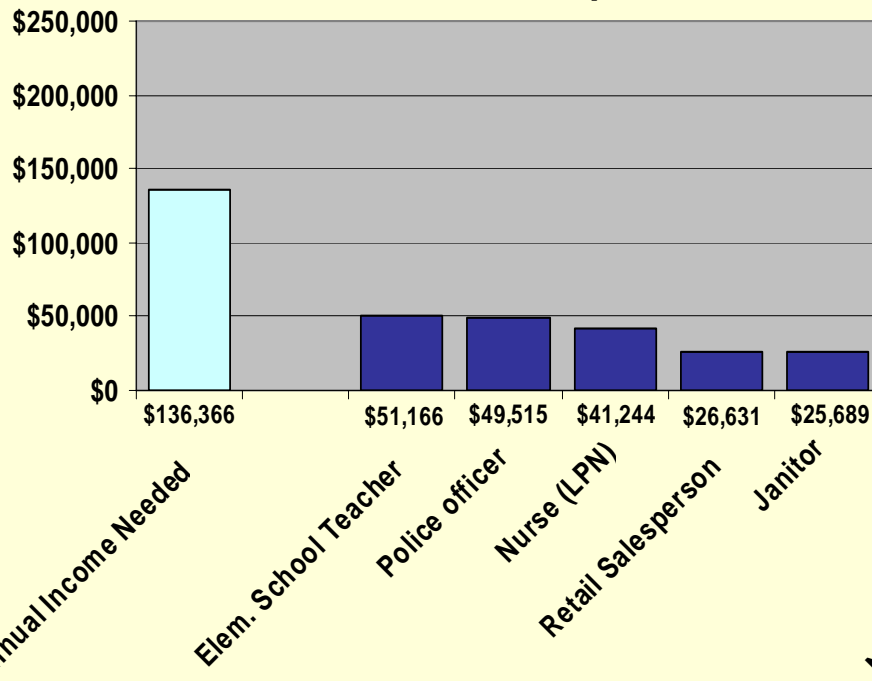
Los Angeles

Homeownership Market: Annual Income

20051stQ Median Priced Home: \$430,000

Needed Income

Sample Incomes

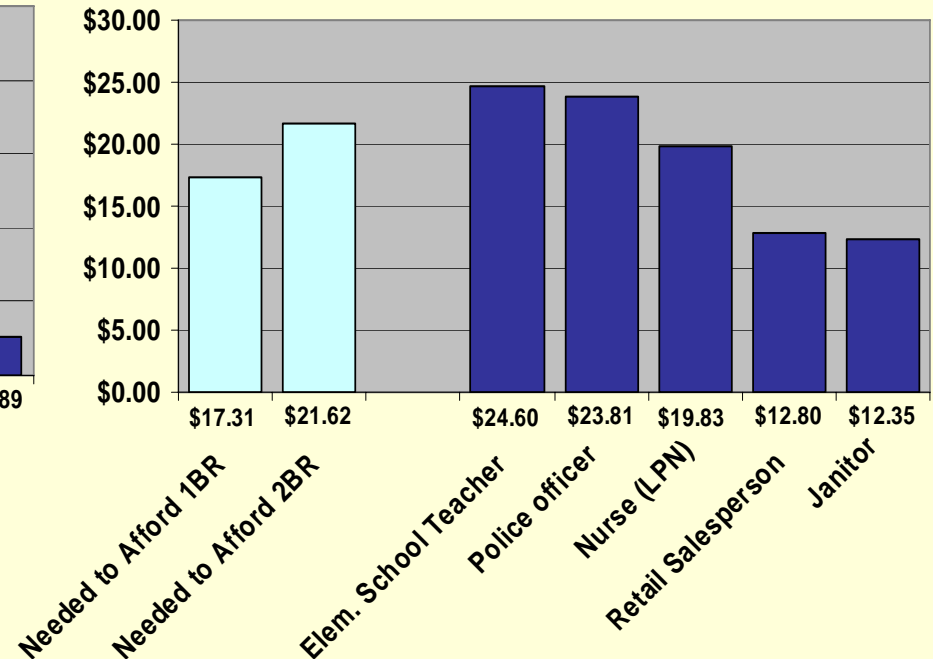


Rental Market: Hourly Wages

20051stQ Fair Market Rent: 1BR \$900/month, 2BR \$1,124/month

Needed Wages

Sample Wages



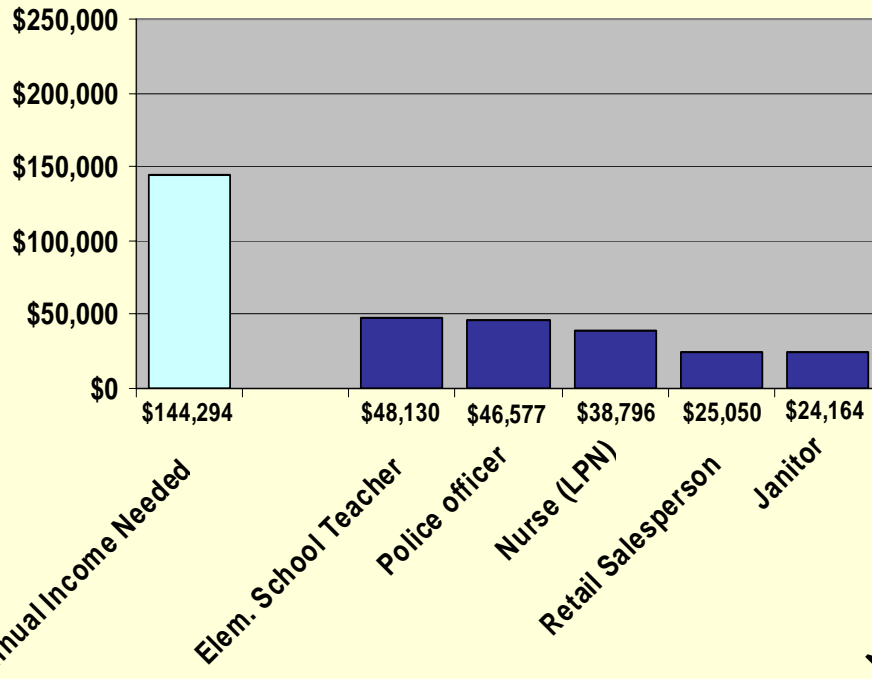
Annual Income or Hourly Wages Needed to Afford Median Price Home or Fair Market Rent

San Diego

Homeownership Market: Annual Income
20051stQ Median Priced Home: \$455,000

**Needed
Income**

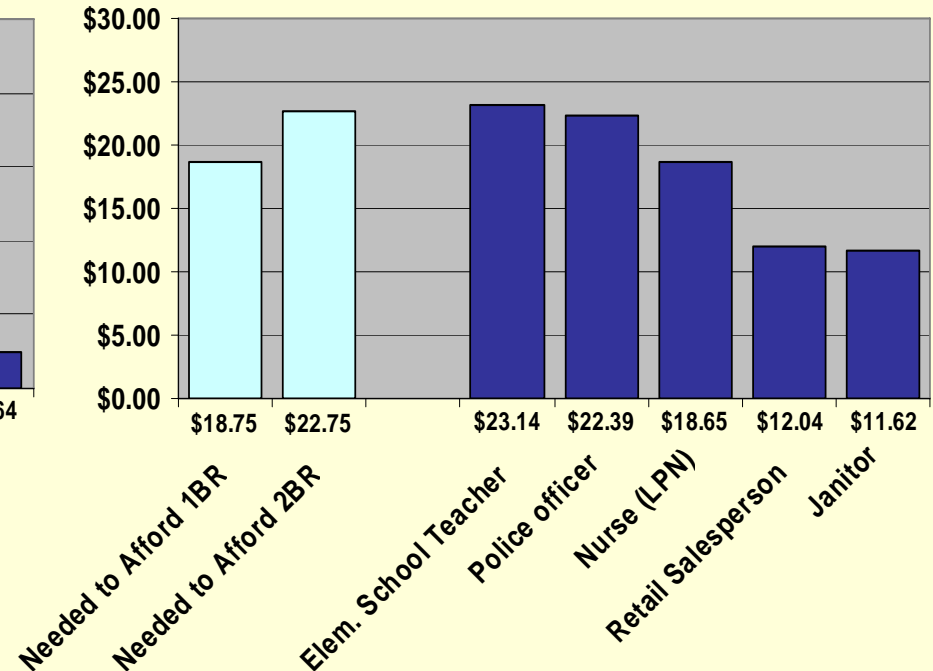
Sample Incomes



Rental Market: Hourly Wages
20051stQ Fair Market Rent: 1BR \$975/month,
2BR \$1,183/month

Needed Wages

Sample Wages



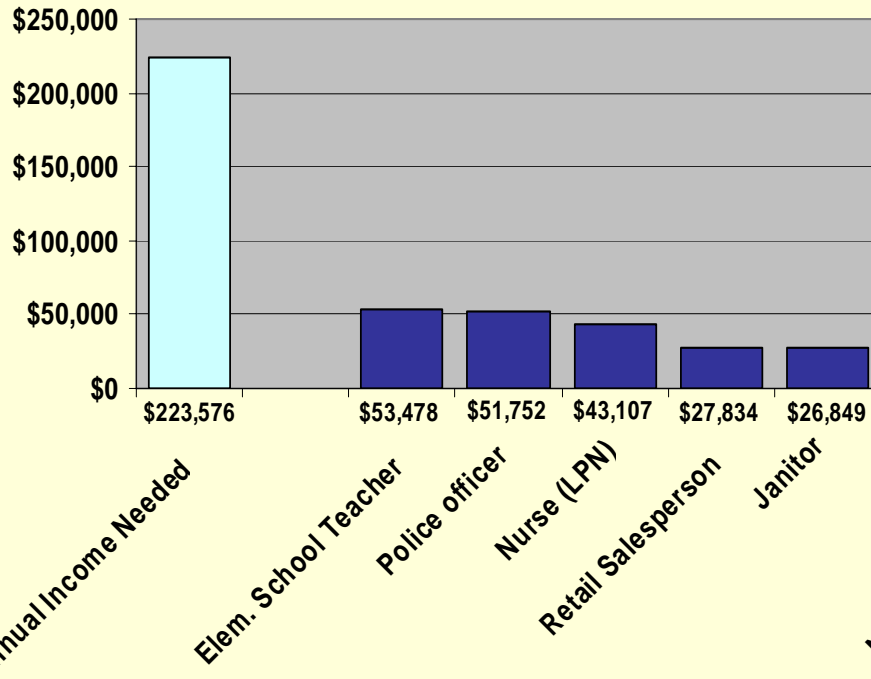
Annual Income or Hourly Wages Needed to Afford Median Price Home or Fair Market Rent

San Francisco

Homeownership Market: Annual Income
20051stQ Median Priced Home: \$705,000

**Needed
Income**

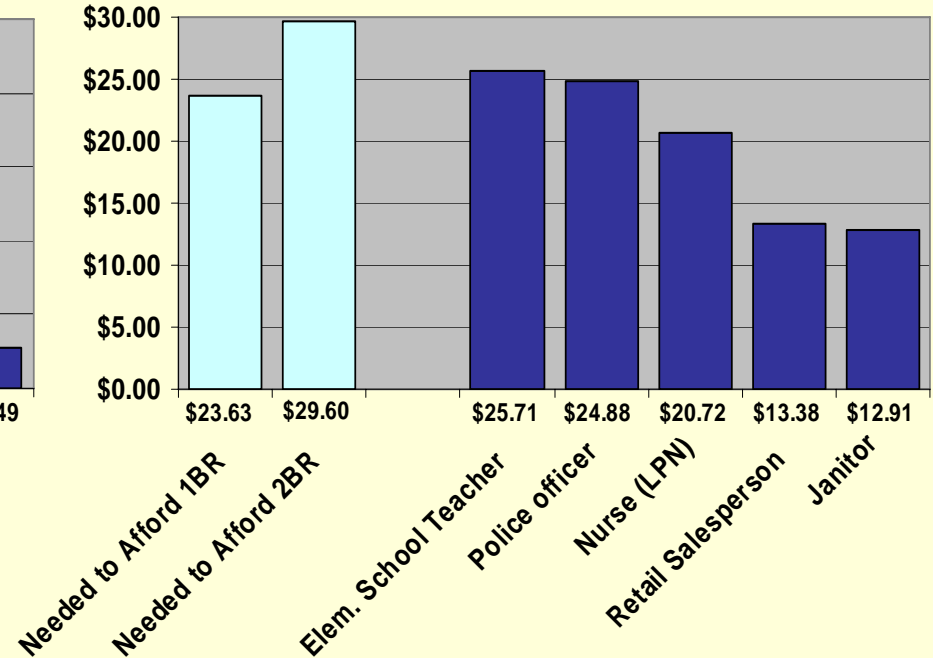
Sample Incomes



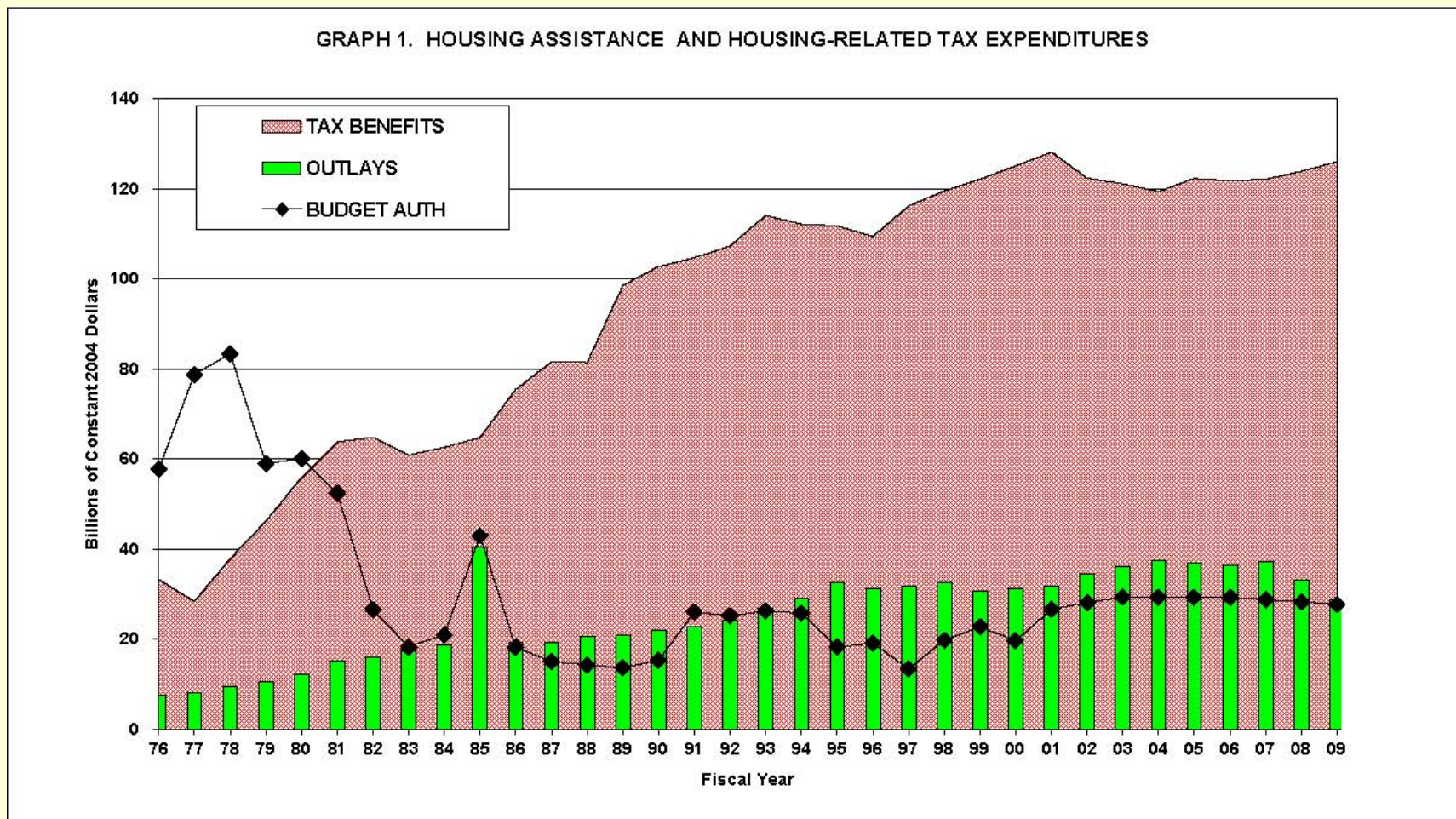
Rental Market: Hourly Wages
20051stQ Fair Market Rent: 1BR \$1,229/month,
2BR \$1,539/month

Needed Wages

Sample Wages



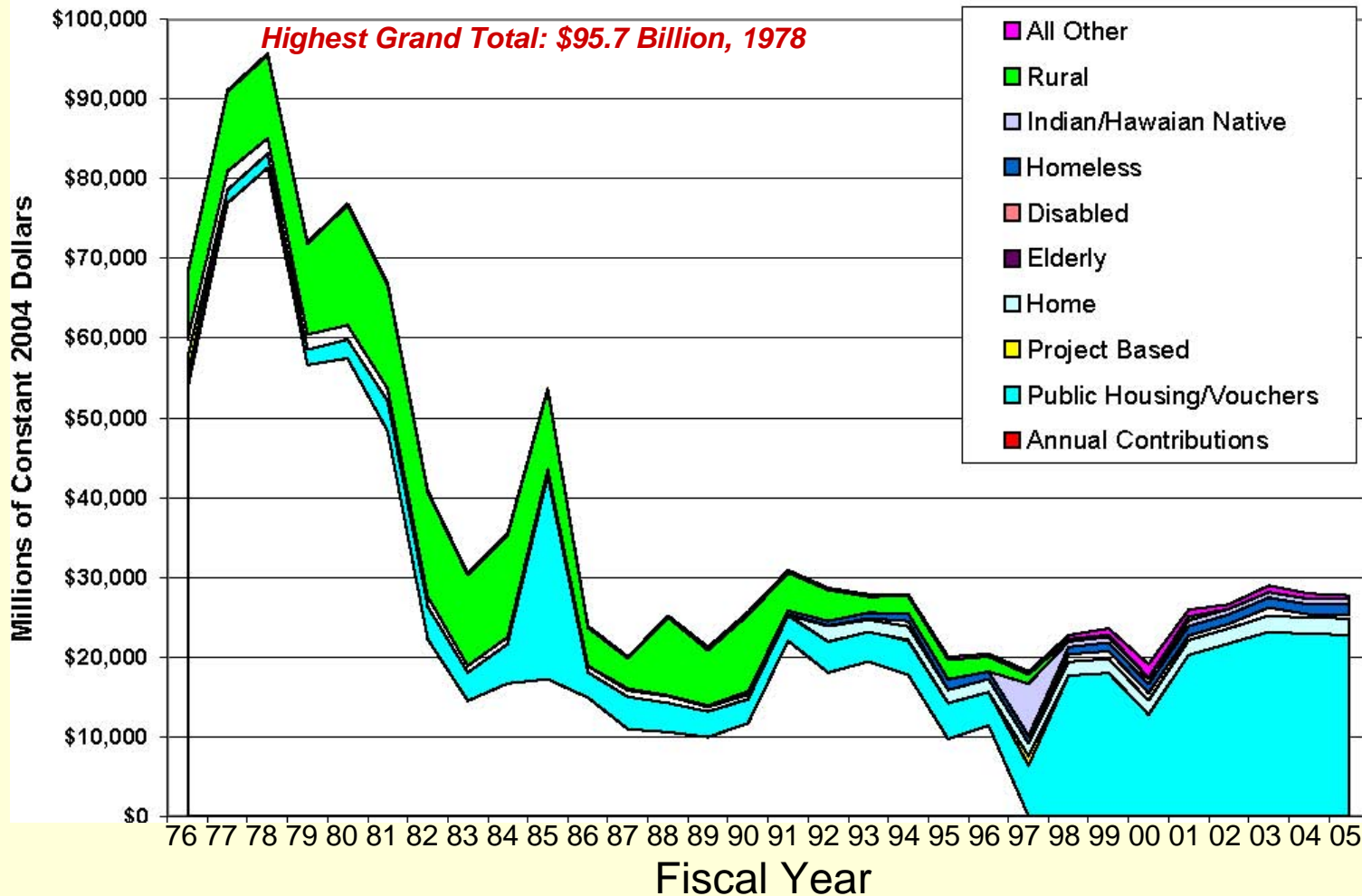
THE FEDERAL BUDGET: HOUSING ASSISTANCE AND HOUSING-RELATED TAX EXPENDITURES



Source: National Low Income Housing Coalition; Changing Priorities The Federal Budget and Housing Assistance 1976 – 2005

NATIONAL FUNDING AND SPENDING TRENDS FOR LOW INCOME HOUSING PROGRAMS

GRAPH 12. BUDGET AUTHORITY FOR LOW INCOME HOUSING PROGRAMS, INCLUDING RENEWALS, 1976-2005



Why Housing is Important

Housing Industry Contribution to the California Economy

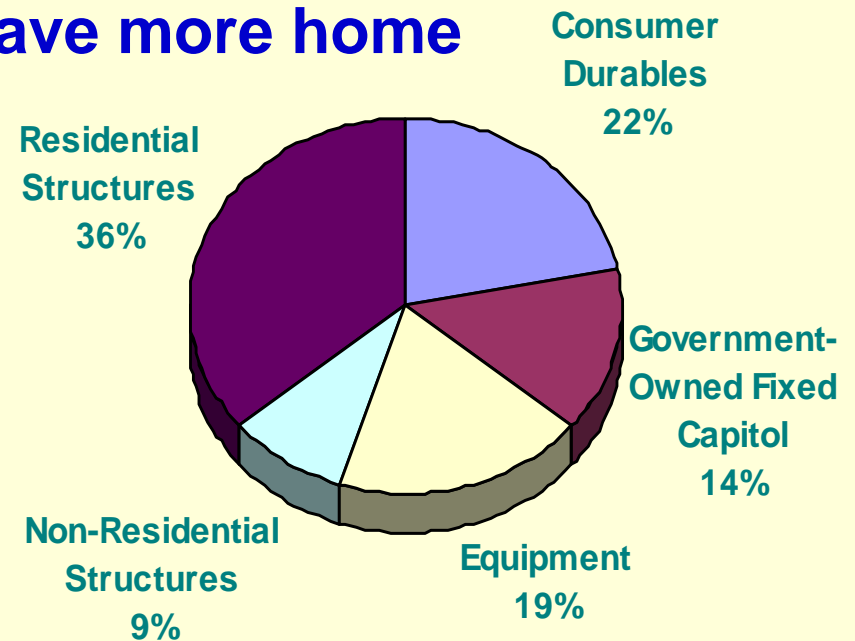
- **Contributes \$218 billion per year to economy**
- **Generates 935,000 jobs**
- **Accounts for approximately 10% of all economic activity in the state**
- **Housing industry is the second largest industry group in the state, when all economic multipliers are considered**

Source: Sacramento Regional Research Institute: The Economic Benefits of Housing in California

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Community Development

Why Housing is Important

- Housing wealth has a more immediate impact on consumer spending than stock wealth.
- About 6 in 10 homeowners have more home equity than stock wealth.
- Housing accounts for more than one-third of the nation's tangible assets.



Source: National Association of Realtors/ Bureau of Economic Analysis, Survey of Current Business, 9/2002;

State of CA Dept. of Housing &
Community Development

**When there is enough
housing that is affordable...**



**Children have stable neighborhoods and
healthy environments...
When they thrive...the community thrives.**

HCD HOUSING RESOURCE CENTER

Electronic Publications Bibliographies:

<http://www.hcd.ca.gov/hpd/biblio.html>



**California Department of Housing
and Community Development
Housing Policy Division
www.hcd.ca.gov**